

ILLINOIS CENTURY NETWORK

**NOVEMBER 14, 2001 POLICY COMMITTEE MINUTES**

**Submitted for:** Action

**Summary:** Distribution of November 14, 2001 minutes for review by the Policy Committee.

**Action Requested:** Adoption of November 14, 2001 minutes.

**Recommended Motion:** *That the ICN Policy Committee adopts the November 14, 2001 minutes with any edits as noted.*

ILLINOIS CENTURY NETWORK

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The meeting was called to order by Mary Reynolds.

Members present: Mary Reynolds, Governor's Office; Jean Wilkins, Illinois State Library; Keith Sanders, Illinois Board of Higher Education; Eugene Finley, Illinois State Board of Education; Bruce McMillan, State Museum; and Joe Cipfl, Illinois Community College Board

Others attending included: Rick French, SIU School of Medicine; Virginia McMillan, Illinois Community College Board; Anne Craig and Kathy Bloomberg, Illinois State Library; Brent Crossland, Governor's Office; John Anderson and Alice Engle, Department of Central Management Services; Neil Matkin, Atif Musa, Keith Bockwoldt, Jason Reid, Susan Bowen, Gary Shaffer, Tim Sheets, Kirk Mulvany, Dave Mollet, Todd Williams, Robin Woodsome, Ralph Lucia, Lori Sorenson, Cindi Hitchcock, Karlin Sink, Lynn Murphy, Doug Jurewicz, and Rebecca Dineen all from the Illinois Century Network.

1. Policy Committee Minutes

Staff requests the adoption of the September 26, 2001 Policy Committee meeting minutes.

Mary asked if there were any changes to the minutes from the previous meeting. Prior to receiving a motion for approval of the minutes, Neil advised the policy committee that the auditors had questioned the use of summary minutes, as opposed to verbatim minutes utilized by the Board of Higher Education, the ICN fiscal agent. While there will be no written notice of the auditors suggestion in this matter, Neil indicated that he had a duty to inform the Policy Committee that the suggestion had been made. After a brief discussion, the policy committee decided to continue their practice of providing summary minutes.

Motion: Bruce made the motion; Keith seconded.

Bruce moved that the ICN Policy Committee adopt the September 26, 2001 minutes with any edits as noted. (No edits were noted.)

Motion carried.

## 2. Announcements

In light of the events of September 11<sup>th</sup>, Mary indicated that the ICN staff should review the level of detail in the information about the backbone that is made available in print and web resources. Neil responded that the staff had taken Mary's advice on this issue and was in the process of removing detailed information about the network POP sites from ICN public materials.

Mary also informed the Policy Committee that today was GIS day. Over at the Capitol, state agencies were showcasing how they utilized GIS in state government.

## 3. Remarks

Neil indicated that the ICN Regional Technology Supervisors were in attendance at the meeting. After briefly reviewing the key role that the Regional Technology Centers play in providing service at the local level to ICN constituents, Neil applauded the supervisors for their excellent efforts in this area. Each supervisor was introduced and recognized by the Policy Committee.

ICN customer satisfaction survey cards were distributed to the Policy Committee. The survey cards are being used for all new constituent installations. Existing constituents will be encouraged to provide feedback via this method as well. Neil indicated that the cards had started coming back and the initial comments indicated that ICN constituents have experienced world-class service as a result of the work of the Regional Technology Centers.

Neil took the opportunity to thank Tim Sheets of RTC VI for his leadership in pulling the supervisors together to do some preliminary work in determining what ICN constituents will require of the ICN in the long term. At a future Policy Committee meeting, a complete survey of services that ICN constituents would like the ICN to perform will be presented.

Neil introduced Rick French from the SIU Medical School. Rick recently participated in the Teleburn project that utilized the ICN backbone to allow doctors to do remote diagnostics on critical burn victims. Rick told the Policy Committee that his institution had been on the ICN for about a year and a half and that he couldn't be more pleased with his experience with the technical staff and management of the ICN. He indicated that the SIU Medical School had future plans for telemedicine applications and that the ICN would play a key role in their success.

Neil distributed a web trends report that indicated nearly 2000 copies of the Advanced Engineering Taskforce Report were downloaded from the ICN web site. This is in addition to the 5,400 copies that were mailed to ICN constituents.

Referring back to Mary's earlier comments, Lugene asked Neil about the ICN's ability to operate from a remote location in the event of a catastrophe. Neil replied that it was the intent of the ICN management to establish the Chicago and Springfield sites as back-ups for each other in the event of a major network failure. Although the auditors didn't focus on this issue, ICN staff anticipates the need to respond to concerns about network redundancy in the future.

Lynn Murphy provided an update on the distance learning conference and various other items. Lynn distributed an SIU School of Medicine press release about the Teleburn project; an article about the ICN and the Avenew crisis that appeared in the Illinois Business Journal; and the most recent copy of the RTC IV user group newsletter. Lynn cited these as examples of some of the means by which ICN success stories can be communicated. She also mentioned that the staff was working on a newsletter for ICN constituents that will be available in print and electronic forms.

The Distance Learning Conference will have a content focus and will be held in Champaign on March 21 and 22, 2002. Session presenters are being solicited from higher education, the K-12 community, and state agencies through the CMS video network. Additional details about the conference will be provided to the Policy Committee as they become available.

Lynn was in attendance at the Educational Technology Forum sponsored by the Chicago Metropolitan Planning Council at which Representative Howard favorably mentioned the ICN in her luncheon remarks.

#### 4. Advanced Engineering Taskforce Appointments

Item four asks the Policy Committee to adopt the staff recommendation that the individuals nominated be added to the Advanced Engineering Taskforce. Following the procedure for adding members that was approved at the September 26, 2001 Policy Committee meeting, Neil discussed the process used to identify potential members who would provide representation based on the constituency served by the network. Many of the nominations came from Policy Committee members and Neil thanked everyone involved for their excellent suggestions.

Motion: Keith moved; Lugene seconded.

Keith moved that the Policy Committee adopt the staff recommendations that the individuals nominated be added to the Advanced Engineering Taskforce.

Motion carried.

#### 5. FY 02 Budget Report

Neil introduced Cindi Hitchcock and thanked her for her excellent work in handling the fiscal affairs of the ICN and working long hours to ensure the accuracy of the budget

reports. Neil then introduced Lori Sorenson to present the pre-audit FY01 budget, the FY02 proposed budget, and the FY03 planning budget. Lori went through each of the reports highlighting several items.

With regard to the pre-audit budget Lori pointed out that the federal erate funds were separated out and listed as a revenue source and then shown as an expenditure under the telecommunications line item. Reporting erate funds in this manner will allow staff to accurately track their impact on the ICN budget.

In the FY02 proposed budget, all revenue sources are listed separately, representing the new budget report format. The revenue sources include the allocations from IBHE and ISBE and erate funding. Lori indicated that the FY03 planning budget was for information purposes only at this time and would be brought to the Policy Committee for approval prior to July 1, 2002.

Staff is asking that the Policy Committee approve the FY02 budget and expenditure plan as presented.

Keith moved; Lugene seconded.

Keith moved that the Policy Committee approve the FY02 budget and expenditure plan as presented.

Discussion followed. Mary asked why the ISBE appropriation was listed as 10.5 million as opposed to the 12 million that had been presented to the Policy Committee in earlier planning documents. Lugene explained that 10.5 million was all ISBE could afford in light of the current budget concerns and the 2% set aside required of all agencies. He also indicated that previous expenditures by ISBE for the LincOn network over the past 3 or 4 years had ranged from 10 to 11.8 million dollars.

Mary asked Neil about the impact of this decision on the ICN. Neil responded that it was the goal of the ICN management to take the available resources and expend them according to the policies and direction established by the Policy Committee. While staff has some concerns about the reduction in funding, Neil indicated that the cost recovery item to be reviewed next on the agenda might provide the means to balance the FY02 budget in light of the adjusted appropriation.

Keith indicated that he wanted to make sure that all the Policy Committee members understood the implications of the legislation that would be proposed in January asking that the budget for the ICN be combined into a single appropriation targeted specifically for the ICN operation. This action will help to avoid some of the complications that arise from trying to merge two appropriations. Keith reminded the Policy Committee members that their support of this legislation would be critical.

Mary asked for additional questions and hearing none, Keith restated his motion.

Keith moved that the Policy Committee approve the FY02 budget and expenditure plan as presented by the staff.

Motion carried.

## 6. Cost Recovery Model

Neil introduced item six as one of the most important items that staff would bring before the Policy Committee in the sense that it provides a basis for the long-term growth and sustainability of the ICN. Based on the budget information provided in the previous item, at current funding operation levels, the ICN anticipates a budget shortfall in FY03. The nature of the telecommunications business is such that the ICN is limited to buying additional capacity in quantities and prices defined by the telecommunications providers. This limitation, coupled with unlimited constituent growth and utilization of the network, provides a framework that limits the ICN's useful life to years as opposed to decades. In order to ensure that this does not happen, the ICN staff is bringing this item to the Policy Committee in the hope of creating a comprehensive policy that will provide guidelines for the allocation of state appropriations and the collection of necessary fees in order to allow the ICN to sustain current and anticipated growth and demand in services. Therefore the question becomes, does the ICN start restricting the use of the network to operate within level funding constraints or do we continue to expand and grow to meet the documented needs of Illinois education and other constituents?

According to Neil, staff considered three alternatives as a means to avert this problem: 1) attempt to obtain incremental new monies from the legislature and Governor in collaboration with funding agencies 2) ask the current funding agencies or potential funding agencies represented by the Policy Committee members to reallocate existing funds to provide additional resources or 3) implement cost recovery measures and continue to work towards lowering the overall cost of the network by securing dark fiber and larger discounts from the telecommunications providers.

Neil reminded the Policy Committee members that it was the intent of the legislation creating the ICN as well as the ongoing appropriation to the ICN that it be an education network providing services for Illinois education. This intent was reinforced with the formal recognition of primary constituents approved at the June 1, 2001 Policy Committee meeting. Educational constituents represent 92% of the connections to the network and their aggregate use represents 91.97% of the available bandwidth. However, educational constituents are not the only beneficiaries of the network.

A handout was distributed that outlined the costs and benefits associated with the operation of the network. On page 31 of the agenda Neil asked the Policy Committee to look at the constituent groups served and the bandwidth utilization of each group. Taking this information, the staff attempted to provide an estimate of network growth and cost through fiscal year 2005. Without cost recovery, in an environment of uncontrolled growth and utilization, the cost estimates for each fiscal year are presented as a range, as the ICN has no means to control how fast the network will grow. The goal was to share

the cost components of the network, as well as staff's best estimate of how fast the network will grow.

Neil pointed out that Internet egress is by far the fastest growing area. Fortunately, the cost of egress is coming down, however this can't be said for all cost components of the network. The budget objective is to obtain a balanced budget while continuing to expand incrementally as needed to provide the services utilized by ICN constituents. The implementation of the proposed cost recovery policies will help balance the budget and create incentives among the constituents to establish priorities and encourage educational use of the network. Currently the network supports a great deal of recreational traffic. Cost recovery will encourage institutions to evaluate how much non-educational traffic they are willing to provide for their users and at what cost. Neil emphasized the importance of each constituent making this decision at the local level, the ICN could not, nor should it, make this decision for the constituents.

The proposed cost recovery model allows for growth where it's needed without impacting the charges for egress. Under the cost recovery model, the primary constituents pay for their access circuits and for egress above an established baseline that is determined by their enrollment. Based on current utilization, less than 5% of primary constituents would be impacted today. The goal of the ICN is to continue to provide reliable network access and service at the best value available, even with minimal and reasonable cost recovery.

In summary, Neil indicated that other state networks utilize similar cost recovery methods. Also in presenting this item, the staff feels it will prepare the ICN for the future without damaging current operations and provide the vehicle needed to finance the future and accommodate the growth of the network. Neil indicated that he would be glad to answer any questions from the Policy Committee members.

Joe and Lugene both asked if cost estimates would be made available to their constituents who will be impacted, prior to the implementation of cost recovery.

Neil indicated that staff was working on these notifications, but reminded the Policy Committee that there were several variables in flux that could ultimately impact the final cost. The new State telecommunications contract and on-going negotiations with telecommunications providers both have the potential to lower costs even further.

Lugene indicated that he would need to have cost estimates to take back to the chair of the State Board of Education prior to his being able to take action on the adoption of the cost recovery model. Neil indicated that staff would provide Lugene with a list of constituents who would be impacted based on current utilization.

Jean asked if this information could be made available for the library community as well. Neil responded by saying it would be available for all primary constituents.

Mary asked if one group was impacted more than another by cost recovery. Neil said that this was not the case as the formula was based on headcount and that K12 remained the chief beneficiary under this formula.

Bruce reminded the staff that all institutions with living collections, such as zoos, botanical gardens, and aquariums should be included in the museum classification in order to be consistent with the State's classification of such institutions. The change will be made and the figures presented for constituent utilization will be revised.

Keith indicated that he understood the urgency of this item in light of planning for FY 2003 budgets, but felt that the item could not be approved until all Policy Committee members understood what the impact would be on their constituents. Keith suggested a special meeting on this item when all the information was available. Keith then went on to ask Neil what would happen if the Policy Committee did nothing with cost recovery – where would the losses in growth and services occur? Neil replied that if cost recovery, with its inherent control mechanisms, was not implemented, the ICN would run the risk of having increased growth and demand for bandwidth outweigh the amount of bandwidth the ICN could provide with a fixed budget. There would be no provision to replenish resources as constituent demand increased. Based on the current increase in utilization, the ICN must plan now for additional resources to meet demand. The implementation of cost recovery can't be made when the problem presents itself; the proposed cost recovery model is designed to facilitate planning for network growth.

Neil went on further to explain that under the proposed cost recovery model each constituent makes its own decision about the amount of bandwidth that they receive. If a constituent is satisfied with their allocation of baseline bandwidth, the ICN is not taking anything away from them, and they aren't being charged any additional fees. The model being recommended ensures that as growth in demand occurs, there is a matching component that allows the ICN to recover the cost of the increased expenses incurred in growing the network. If this is not in place, then services have to be limited and difficult decisions will have to be made about which services to limit and to whom.

Joe indicated that some of his institutions would not look favorably on additional costs and would struggle with them, especially in light of other budget issues that are on the table.

Neil acknowledged this remark and reminded the Policy Committee that prior to the ICN, many of these institutions were paying much higher costs for less reliable service. They all recognized a cost benefit when the ICN was established. Under the worse case scenario, these institutions will end up paying what they paid before the ICN, while still receiving the high quality of service provided by the ICN.

Mary asked if there was any easy way to compare the service and cost an institution had prior to the ICN with the service and cost they receive as an ICN constituent. Neil cited a number of factors that would make it impossible to compare these scenarios, the primary one being the enhanced level of service provided by the ICN. Regardless of what a



constituent may have been paying before, the goal of the ICN is to provide more egress at the lowest possible cost.

Keith indicated that it was answers to these kinds of questions that would enable the Policy Committee to take action on this item and suggested that a second meeting be held with ICN staff providing concrete and specific examples of the impact of cost recovery, prior to that meeting so that an informed decision could be made. In light of further negative news that Keith had received from the Governor's office regarding budget reductions, the sensitivity to budget related issues has been heightened.

Mary asked how soon the ICN staff would be ready to have a special meeting regarding cost recovery and the consensus of the group was that the meeting would be scheduled in approximately two weeks.

Joe made a motion to adjourn; Lugene seconded.

Meeting adjourned at 4:00 p.m.